



A High Impact Approach to Customized Television Advertising

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Visible World – A High Impact Approach to Customized Television Advertising

The Essence of Television

America's universal love affair with television derives its impact from the relationship it has with the viewer. The passive television audience is drawn into the narrative and then further seduced by the sensory impact of moving pictures, voices and music. That is why the best of television, whether it's in the form of news, entertainment, reality programming or advertising, always tells a story.

Television relies on the power of a relationship that builds between its programming and its viewers. It is a vital characteristic of good narrative that people surrender their own reality and succumb to the vision of the storyteller. Thus, the power of television to advertisers is twofold: a viable medium for advertisers' stories fixed with the emotional association of their programming. When people sit in front of the tube, they leave behind their own story looking to attach themselves to a new story playing on the screen. Once attached, viewers adopt the television story as their own temporary reality. That is why the best of television, whether it's in the form of news, entertainment, reality programming or advertising, always tells a story through a narrative collage of moving pictures, voices and music.

A Mass-Marketing Medium

As advertisers recognized the power of television – its ability to attach to a viewer's perceived reality – television emerged as the ultimate medium for building brands. For years, advertisers marketed products to broad segments of the population aligned with the programming of big networks and their aggregated audiences disregarding the wastes inherent in mass marketing.

Recent trends in the digital world raise questions regarding the longevity of mass-market television advertising. New television programming, abetted by the technological development of cable, satellite, and nascent terrestrial networks has relentlessly fragmented yesterday's large audiences into smaller, more diverse groups – limiting the number of shows with the built-in mass audience appropriate for traditional television advertising. Furthermore, advertisements must ensure their relevancy in the face of viewers imbued with more control to zap commercials or time-shift their programming.

Visible World – A High Impact Approach to Customized Television Advertising

Recognizing the increased importance of consumer relevancy, large corporations perception of the value of programming has diminished as choice replaces scarcity, and viewers' attention span becomes increasingly short. They collect and analyze ever-increasing quantities of information about consumers, about products and the contemporaneous information that ties them together in order to tighten customer relationships and strengthen direct marketing efforts. A challenge to the television advertising community now emerges: can television marketing techniques ideal for mass audiences, now be used to incorporate consumer specific information to relevantly address more increasingly diverse audiences that have more choice and more control?

Importance of Customer Relationship Marketing

Merrill Lynch advertising analyst Laura Rich Fine confirms that as the trend of media fragmentation continues, mass marketing may no longer be as appropriate. It becomes more important for companies to get to know their clients, so they can better interact with them and follow them from medium to medium, or brand to brand. "Customer relationship marketing means exactly that," states Fine, "trying to create a relationship with a client that is meaningful and promotes loyalty."

Strengthening Ms. Fine's sentiments, Martin Sorrell, the Chairman of WPP Group, points out that an estimated 50% of a company's advertising budget is focused internally towards known constituencies – including employees, company affiliates and most crucially current customers. Advertisers find it easier and more profitable to market directly to those consumers likely to purchase based on a stated interest or history rather than market to large unknown audiences.

Migrating Marketing Budgets

Consequently, almost all media agencies over the last five years have been migrating marketing dollars from above-the-line budgets to below-the-line budgets. Adweek estimates that 70 percent of all marketing dollars is now spent on nonmedia communications, a reverse proportion to a decade ago, when media advertising dominated the mix. Now advertisers, increasingly utilize below-the-line means such as

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Visible World – A High Impact Approach to Customized Television Advertising

direct mail, telemarketing and other mediums that provide personal contact points to leverage an abundance of known information – *information-rich marketing*.

Television Not Progressing

What of television advertising? Why hasn't television advertising evolved alongside the information explosion exemplified by the tremendous growth in emerging one-to-one marketing mediums? There is a frustrating disconnect here. As more viewer choices emerge and audiences continue to splinter, television advertising has not progressed but rather relies on gimmicks and frantic loudness to attract attention – a technique that advertisers decry as exorbitantly expensive and grossly ineffective! [Who can forget The Gap's theatrical "Westside Story" campaign last summer that received acclaim for its creativity yet was subsequently abandoned because of disappointing results.]

Marketers always realized that to increase results, advertisements must reach the viewer with messages uniquely relevant to individual consumers during diverse moments of opportunity. "Good advertising is always written from one person to another. When it is aimed at millions it rarely moves anyone," exclaims Fairfax Cone, founder of the renowned agency Foote, Cone, & Belding.

The challenge to television advertising is that relevance is not singular, either in content, or presentation and varies across households, locales, and time. For example, a hotel commercial shown to a honeymooning couple should be very different from that shown to a family with four young kids. Even though the "hotel" is the same product for both viewers, products are most appealing to a potential consumer when packaged as a "selling proposition" most relevant to that consumer's interests and needs. Ideally, advertisers would like to utilize the consumer specific information ready at their fingertips to address every household with messages completely relevant to every home. While today's television environment does not allow such household relevance, advertisers would not abandon television and sacrifice those qualities that make it such a powerful medium; still, advertisers must examine how television should adapt to the needs of relevance.

Visible World – A High Impact Approach to Customized Television Advertising

Television's Inherent Hurdles

Due to infrastructure and production constraints saddled upon television the last fifty years, the task of fully integrating information with television marketing has always been compromised. First, the nature of television delivery via broadcast networks has never allowed separate messages to be delivered. Even if that hurdle were overcome, the contemporary video production process does not allow for the economical creation or modification of the multi-variable content needed to address consumers differently.

Creating just one version of a commercial involves a linear process waterfall including designing the commercial's storyboard, shooting the sequences, editing the content, delivering to the networks an atomic unit of video with one capability – broadcast playout. Making even one more commercial, let alone multiple versions, is increasingly more expensive as each is painstakingly assembled by a highly skilled and highly paid workforce using expensive facilities.

Cost aside, the linear production process also fails at reflecting crucial market dynamics that may change the content of the commercial at the time of a commercial's playout. The marketer is faced with a decision – remove all temporal content from his commercial or revisit the production process each and every time conditions change. Still, despite its limitations, the linear creation process of commercials will prevail as long as television's broadcast infrastructure cannot deliver addressable content.

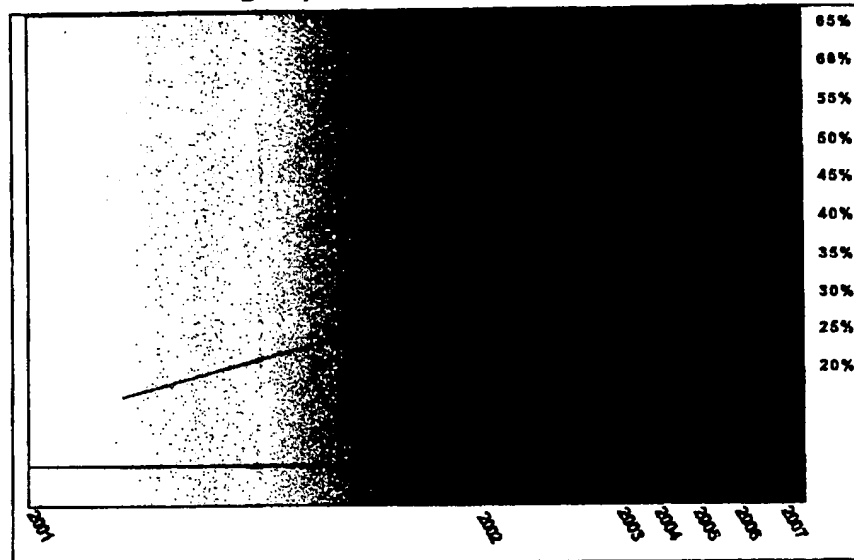
Evolving Television Infrastructure

Today, fundamental technological infrastructure changes are occurring that really allow the information age to reach television. MSOs and interconnects have already built-out an infrastructure that allows for targeting commercials to specific headends of zip code populations. And now, the major cable operators are rapidly rolling out broadband digital networks, enabling addressable television programming and targeted advertising to individual households. The crescendo of this broadband rollout is a digital set-top-box imbued with enough software intelligence to personalize an advertisement. Consequently, these set-top boxes will alter the focus of commercials previously assembled for an audience of thirty million to something for an audience of one. Dependent on the

Visible World – A High Impact Approach to Customized Television Advertising

deployment of set-top-boxes, such household-level personalization attains national critical mass in 2003 when over 35% of households in the top 25 DMAs becomes digital.

Digital penetration in Top 25 DMAs



Opportunity for New Service Provider

Advertisers, however, lack the means to take advantage of these advanced digital systems in the absence of a cost-efficient creative process by which to mass-customize television content. Yet while such a solution is dearly needed, no prevailing party in the industry – not programmers, not agencies, not networks, nor operators – is well positioned to create, control, and deliver this new style of dynamic and customized content. Thus, a large opportunity exists for a new entity to introduce technology and services that enables the dynamically customized content necessary to best leverage the emerging digital television infrastructure.

Interactivity Disrupts

Historically, interactivity is the right means to introduce information marketing into television. The danger is that interactivity disrupts the fundamental precept of television's success – presenting a rich media narrative to a lazy, inactive viewer. Narrative is an

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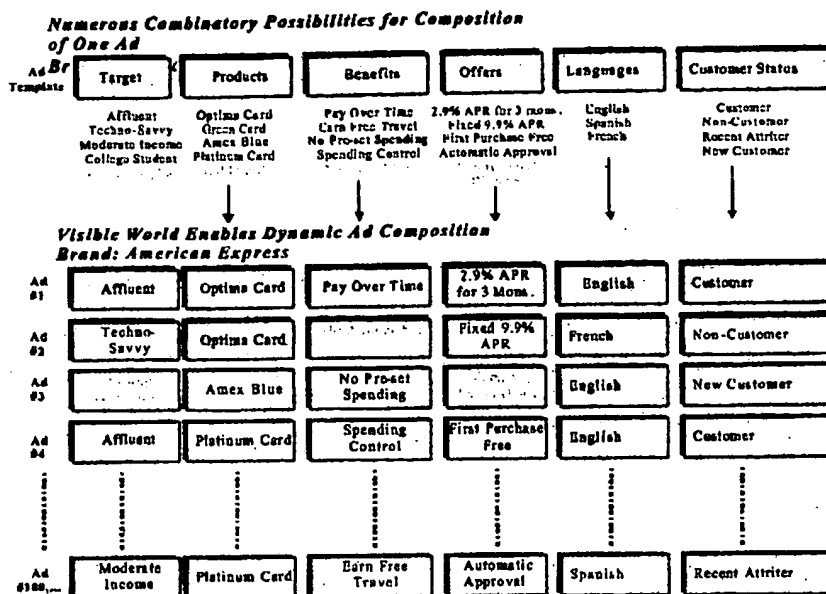
illusion of free will. When viewers watch a program, they willingly suspend their own reality and enter the narrative illusion. Once inside, viewers react with real emotions - they laugh, cry, or scream - adopting the illusion as their reality. Networks rely on these very emotions to hook its audience on a steady diet of sitcoms or dramas, much like advertisers depend on these same emotions to build bonds between the viewers and the advertised brands.

As soon as television viewers "lean-forward" to make a decision or "interact" - they return to their own reality and, like some insubstantial pageant faded, dispel the narrative illusion - losing whatever spell the programming has cast. Interactive television disregards such concern, asking viewers to change their behavior from a "lean-back" TV watching experience into an active decision making process. Consequently, no interactive application - not the Web, not email, not palm-pilots and not interactive television - has or will ever evoke the human emotions incumbent to television storytelling. Quite contrary, interactivity breaks television's relationship between the viewer and the medium and confuses what was successful on of the Internet with what has been successful on television.

Visible World's Solution

Visible World answers the challenges facing television marketing with a service that successfully integrates *information-rich marketing* into the world of television. Visible World's *IntelliServices* allow advertisers to personalize spots to the specific interests and purchase history of the consumer, update the spot's content dynamically to reflect real-time contemporaneous business conditions, and still preserve the integrity of the brand. The services eliminate those limitations associated with the linear content-creation process by assembling modularized components of video, on-the-fly, into a completed commercial that exists only at the moment of viewing. Now advertisers can customize multiple versions of a single TV spot, in real time (not pre-canned), to different homes at the same moment in time.

Visible World – A High Impact Approach to Customized Television Advertising



By customizing a single TV spot to an individual household, the advertising medium becomes a more effective tool to build brand relevance. Financial Services advertisers, desiring to segment their message by the life stage of the viewer, will communicate with greater precision. Car companies, striving to drive sales to a local dealer network, will be able to describe the nearest dealership and the appropriate sales incentive for that prospect. And Airlines, with rich customer databases driving frequent flyer programs, can speak to loyal flyers differently than non-customers or use real-time pricing data to promote fare discounts by region. When combined with the ability to, for example, run the ad in the primary language of the household, significantly more relevant brand and product messaging results for all advertisers.

Taking Financial Services, Automotive, and Airline category examples in more depth, Visible World advertising will align the versioning of TV ads with the current best practices of marketing:

Financial Services

- Life stage recognition
- Affluence and creditworthiness segmentation
- Multi-product targeting (credit cards, mortgages, investments, insurance)

Visible World – A High Impact Approach to Customized Television Advertising

- Dynamic, updated interest rate offers

Automotive

- Multi-brand and product targeting (sedan, SUV, pick-up, etc.)
- Dynamic messaging with unique leasing/sales offers by geography
- Dealer locator information
- Existing customer recognition to shorten re-purchase cycle

Airlines

- Loyalty segmentation based on frequent flyer status
- Pricing offers based on geography and previous flight data
- Dynamic fare updating for special promotions
- Targeted co-op programs with hotels, car rental companies, and events

How Many Versions Necessary

As we work to counter the increasing disappointment of TV viewers for lack of advertising relevance, we ask how many unique commercial versions are actually necessary to achieve the desired business impact. While one is not enough, is 100 million necessary?

Some companies do employ simple static targeting-giving the advertiser the choice of up to four pre-assembled advertisements as a band-aid solution per household. In other words, four households may receive four different commercial versions while watching the same programming, depending on each household's profile. However, four is also not sufficient.

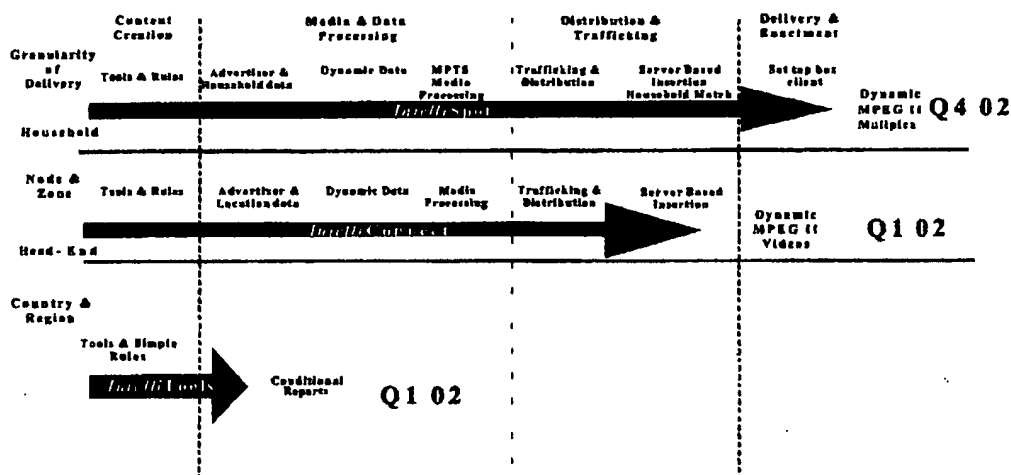
The earlier examples, when combining elements to customize an advertising message, result in about one thousand automatically generated versions. In order to change perceptions and drive behavior, this magnitude is necessary. The desired message complexity (products, benefits, targets, etc.) and the diversity in TV viewing households (e.g., income and lifestyle segmentation) make four message alternatives inadequate. The four-version option does not reduce media waste or achieve ad relevance.

Visible World – A High Impact Approach to Customized Television Advertising

Visible World's Service and Products

Visible World's IntelliServices include a product suite that encompasses all functions necessary to customized advertising – content creation, media and data processing, distribution and trafficking, as well as delivery and enactment. The first products – *IntelliTools* and *IntelliConnect* – will leverage the current upgrades of cable headends and interconnects. These products can be deployed over analog cable. While the end-to-end product, *IntelliSpot*, requires a household digital set-top box and will therefore be deployed in parallel timing with the digital set-top box penetration of U.S. DMA households.

Product Designed to Match Network Distribution



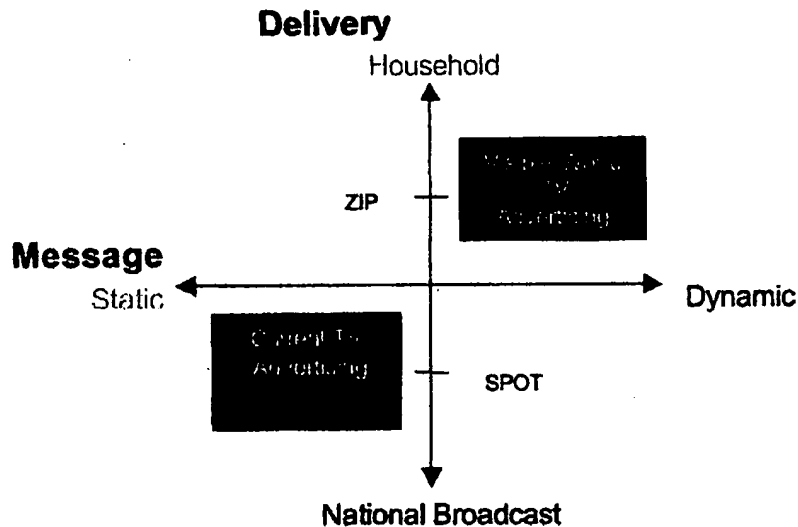
The first product, *IntelliTools*, provides the advertiser content creation tools to design, shoot and manage commercial campaigns or multi-version commercials, at minimal cost. This product is already deployed and being used by multinational advertisers that must create multiple versions of a single ad to run in different countries. The next product, *IntelliConnect*, allows advertisers to show unique ads to a zip-code cluster of households (a more refined target than DMA). *IntelliConnect* will go to trial in December 2001.

Lastly, the end-to-end service, *IntelliSpot*, enables advertisers to create and show unique ads to individual households. Visible World services help the advertiser create the ad

Visible World – A High Impact Approach to Customized Television Advertising

elements, prepare data to identify customer profiles, facilitate real-time ad assembly and delivery. A household must possess a digital set-top box to receive a unique to its home. *IntelliSpot* is set for a trial in 4Q 2002 and for launch in 2003 when digital DMA penetration surpasses 35%.

Dynamic Targeted TV Advertising



Conclusion

Television, together with Visible World's technology and services, can enter a new era of *information-rich marketing* while continuing to promote those attributes that have made television so effective. Many advertisers choose to funnel dollars away from television into mediums that efficiently utilize the information explosion, but admittedly miss-out on those qualities that have made television the most powerful marketing medium of the last fifty years. Other advertisers still favor the traditional strengths of television advertising over the benefits of *information-rich marketing*. Visible World's end-to-end service allows advertisers to embrace without compromise the benefits of both television advertising and information marketing, marrying the two into what will be the most powerful marketing medium of the next fifty years.